



## ARBORGEN INTERIM RESULTS AND REVISED GUIDANCE

28 November 2023: ArborGen Holdings Limited (NZX: ARB) (ArborGen or the Company) has today released its interim results for the six months ended 30 September 2023 (1H24), reporting a strong first half financial performance driven by record sales volumes in Brazil. Guidance for FY24 has been revised, with US seedling sales now expected to be lower than originally anticipated. All dollar values are in US currency unless otherwise stated.

ArborGen is the leading global commercial provider of advanced genetics tree seedling products. It has a robust strategy and identified growth opportunities. During 1H24, ArborGen welcomed new leadership, invested into the continuing growth of its Brazilian business and tackled macro-economic headwinds in the US market. The company continues to optimise productivity as it focuses on increasing market share and adoption of MCP<sup>1</sup> seedlings in the US, and opportunistic and measured expansion in Brazil.

### Financial Performance

Revenue grew strongly year on year and was up 78% to \$13.2m. This was predominantly driven by strong sales in Brazil, with US sales to be recognised in the second half of the year. Brazil's strong performance was the driver for a 167% increase in gross profit to \$4.8m for the six months.

The results include one-off and unusual transactions of \$(3.1)m, comprising CEO transition costs and a non-cash \$1.8m provision for obsolete seed inventory. Excluding one-off and unusual transactions, Adjusted US GAAP EBITDA<sup>2</sup> improved to \$(0.5)m for the six months, compared to \$(2.9)m in the prior year. Net earnings after tax, including one-off and unusual items, was \$(0.1)m (1H23: \$(1.6)m).

As previously communicated, in May 2023 ArborGen repurchased all outstanding warrants in ArborGen Inc for \$1.4m. The purchase price represented a significant discount and was in cash.

Net debt increased by \$3.7m over 1H24. This reflects favourable working capital movement from the higher collection of deposits in the US offset by early losses due to the seasonality of the US business, along with the warrant repurchase, capital expenditure, interest expense and taxes. Cash was \$4.3m at 30 September 2023, with net debt of \$16.7m compared to \$13.0m as at 31 March 2023.

### Operational Performance

ArborGen continues to perform strongly in Brazil, with record seedling sales volumes, prices and margins in 1H24. Production capacity continues to be expanded, with the acquisition of the Erval Grande eucalyptus nursery for approx. US\$3m (to be paid over seven years). This takes Brazil's production capacity to approx. 80 million seedlings per year.

In the US South, ArborGen has orders for approx. 87% of all available seedlings, notwithstanding industry challenges, weather and economic headwinds which have seen some customers choose to delay harvesting for another year. This has had a flow-on effect on US seedling sales for FY24, with a significant uplift in cancellations in recent weeks as buyers press pause on their planting plans for the coming year. The sales team has been strengthened and continues to work with customers to encourage MCP adoption and uptake when demand recovers. Pleasingly, US sales prices have remained strong, supporting margins.

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<sup>1</sup> Mass Controlled Pollinated (MCP) seed is produced from crossing specific elite mother and father parent trees from ArborGen to generate seed with the highest genetic potential.

<sup>2</sup> Adjusted US GAAP EBITDA is a non-GAAP financial measure and excludes one-off and unusual items which may include restructure costs, impairments and write downs on assets, acquisition/sale transaction costs and other one-off items. See page 10 of the Interim Report for more information.



A review and quality audit has been undertaken of US seed inventory, resulting in a non-cash \$1.8m provision for older, low demand and low quality seed. As customers shift to advanced genetics, the supply of OP seed required to meet demand each year continues to decrease. In line with this, a decision has been made to cap the number of years of supply maintained for lower grade genetic seed. This strengthens the overall value of the remaining seed and frees up space for higher value and higher demand seed.

An important part of management effort in the past six months has been formalising productivity plans and processes across the organisation. This has included identifying cost and operational efficiencies and working with customers to establish a model that better aligns ownership of risk in the sales process. The New Zealand corporate office has been downsized and ArborGen is recruiting for two new US-based roles - a Chief Financial Officer and a VP of Operations.

### **FY24 Guidance**

FY24 revenues are expected to be at record levels for the full year, driven by strong growth in the Brazil business and despite the lower seedling sales now expected in the US. On a normalised basis, operating profit is expected to improve year on year, although it will be lower than originally anticipated due to the subdued US seedlings sales.

ArborGen has provided updated guidance for the 12 months ending 31 March 2024:

- FY24 Adjusted US GAAP EBITDA (which excludes one-off and unusual transactions) is expected to be in the range of \$11.6m to \$12.6m (FY23: \$9.2m).
- Including one-off and unusual transactions, FY24 US GAAP EBITDA is expected to be between \$7m to \$8m (FY23: \$10.3m).
- Net debt (excluding capital leases) is expected to be between \$18.3m and \$19.3m (\$13.0m as at 31 March 2023, \$16.7m as at 30 September 2023). This reflects the \$1.4m warrant purchase, an amendment to working capital movements associated with the acquisition of the Erval Grande nursery in Brazil and the expected \$2.5m acquisition of the Jasper Nursery in the US, lower US earnings and one-off costs.

ENDS

**Authority for this announcement:** Justin Birch, President and CEO, ArborGen Holdings Limited

**For more information, please contact:** Jackie Ellis, Ellis and Co e: [jackie@ellisandco.co.nz](mailto:jackie@ellisandco.co.nz), t: +64 27 2462505

### **ArborGen**

ArborGen is the largest commercial global seedling supplier and a leading provider of advanced genetics for the forest industry. Employing state-of-the-art technology, ArborGen is developing high-value products that significantly improve the productivity of a given acre of land by enabling our customers to grow trees that yield more wood per acre with greater consistency and quality in a shorter period of time. For more information, please visit ArborGen's website at [www.arborgen.com](http://www.arborgen.com), email: [info@arborgenholdings.com](mailto:info@arborgenholdings.com).